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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 04//06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, April 5

NIHON KEIZAI (Page 2) (Full)
April 6, 2006

10:35

Met at Kantei with Foreign Affairs Secretary Romulo of the Philippines.

11:05

Attended the opening ceremony of the initial joint workshop for national servants, held at Yoyogi's National Olympic Memorial Youth Center.

11:32

Returned to Kantei.

13:53

Met with Ambassador for Peace in the Middle East Arima.

14:22

Met with Fuji Xerox Supreme Advisor Yotaro Kobayashi, who serves as Japanese chairman of the New Japan-China Friendship 21st Century Committee, MOFA Asian and Oceanian Affairs Bureau chief Sasae, and others.

15:30

Met with Japan Medical Association President Karasawa and others, followed by Senior Vice Foreign Minister Shiozaki and Japan Center for International Exchange Director Yamamoto.

18:03

Attended a wake for former Yamato Transport Labor Union President Toshio Tsukamoto held at a hospital in Kasugacho.

18:50

Dined at the Hotel Okura with LDP Policy Research Council Chairman Nakagawa, Diet Affairs Committee Chairman Hosoda, New Komeito policy chief Inoue, and Diet affairs chief Higashi.

21:05

Returned to his residence.

4) Minshuto (Democratic Party of Japan) presidential race tomorrow: Ozawa, Kan declare their candidacies with determination to recreate the party; Key to election lies with mid-level and junior lawmakers

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YOMIURI (Top play) (Lead paragraph)
April 6, 2006

Minshuto will hold a joint plenary session tomorrow afternoon of its members of both the houses of the Diet and choose its leader to succeed current President Seiji Maehara, who earlier expressed his intention to resign from his post. Ichiro Ozawa, 63, former party vice president, and Naoto Kan, 59, former party president, yesterday met the press separately and formally announced they would run for the presidential race. The major focus of attention in the election campaign is how the two candidates intend to rebuild the party, which has lost public confidence due to the recent fake email fiasco. In addition, bringing the party to power and creating a consensus on the party's basic policies in such areas as foreign and security affairs are other challenges for the new president. The groups of members supporting the two candidates are intensifying their moves to win as many votes as possible from other groups in the party. The key apparently lies in the moves of mid-level and junior lawmakers who have yet to decide whom they will support.

5) Ozawa has edge on Kan in support ahead of Minshuto presidential race; Focus is on which candidate junior, mid-level members will support

ASAHI (Top Play) (Lead paragraph)
April 6, 2006

At their press conferences yesterday, former Minshuto (Democratic Party of Japan) Vice President Ichiro Ozawa, 63, and former Minshuto President Naoto Kan, 59, announced their candidacies for the party's presidential race, which will take place on April 7. Both Ozawa and Kan stated that they would make efforts to revitalize the party, which has been damaged by the false email fiasco, stressing their clear stance of opposing the ruling Liberal Democratic Party (LDP). At present, Ozawa has secured support from most groups in the party and a majority of the party's House of Representatives members. The focus are now on whether Kan will be able to win support from junior and mid-level lawmakers, who are called "independents within the party," and whether the two veteran lawmakers can cooperate after the election in order to unite the party.

6) Ozawa, Kan suggest revising Maehara's foreign and security policy lines

YOMIURI (Page 3) (Full)
April 6, 2006

Two Minshuto (Democratic Party of Japan) presidential candidates,

Ichiro Ozawa and Naoto Kan, explained to the press corps yesterday about their basic policy lines and their ways of managing the party, suggesting that they would revise the current party leadership's foreign and security policy, typified by DPJ President Seiji Maehara's view of China as a threat.

Ozawa stressed, "It's essential for the party to discuss and lay out the basic principles of the nation, for instance, national security, social welfare, and the tax system." Ozawa avoided making it clear whether he would continue Maehara's foreign and security policy or reverse it, but he revealed his intention to

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clearly depart from Maehara's top-down style of unifying views in the party.

On the other hand, Kan stated, "I can build a consensus in the party on two elements: no overseas dispatch of the Self-Defense Forces for wars and participation in United Nations-led peacekeeping activities on our own initiative." A variety of views exist in the party about foreign and security policy, like the one held by President Maehara and another by the group of former socialists, but Kan said he was confident he could unify such views. When asked about the view of the China threat, Kan noted, "It's only natural to seek transparency in military spending; the question is how to express it on the diplomatic front." He thus appeared cautious about using the term "threat."

As one of the distinctions in internal affairs with the Koizumi administration, Ozawa and Kan both insisted on the need to resolve social disparities, with Ozawa emphasizing the importance of "humanity" and Kan using the word "ties." The two candidates are of the opinion that it is necessary to rectify a society excessively oriented toward competition.

The two candidates are sometimes called the "destroyer" and the "dogmatist" due to their past ways of managing parties. When asked about this, Ozawa asserted: "My personal motto is that sincerity trumps all. Keeping this in mind, I will unify the party. By placing the right people in the right posts, I can reach this goal. I have no special methods or techniques." Kan, too, stated, "The duo of Mr. Ozawa and I will absolutely not be defeated by whomever the Liberal Democratic Party chooses as its president or secretary general." Kan did not refer to differences in party management between Ozawa and himself.

7) Japan, US to introduce dual examinations to speed up patent process in July

YOMIURI (Page 9) (Full)
April 6, 2006

The governments of Japan and the United States have reached an agreement in principle on the mutual use of patent screenings in order to speed up the process of granting concurrent patents in both Japan and the US. The Patent Office of the Ministry of Economy, Trade, and Industry revealed yesterday that this would start in July. Although each country's patent office will make a final decision on whether to grant a patent, the introduction of the system will shorten the examination time and expedite the registration of patents overseas.

The expectation is that it will take 27 months until a decision is made on a patent application in Japan in fiscal 2005. Japan aims to conclude a similar accord with South Korea next spring. It has also negotiated with Britain and Canada on the introduction of this system.

8) USDA presents government with list of items to be checked at US meat-processing plants

TOKYO SHIMBUN (Page 9) (Full)
April 6, 2006

The US Department of Agriculture (USDA) presented the Japanese

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government with a list of items to be checked at meat-processing plants in the US as BSE safeguard measures, reflecting on a recent incident of specified risk materials found in a US beef shipment to Japan, according to informed sources yesterday.

The Agriculture, Forestry, and Fisheries Ministry and the Health, Labor, and Welfare Ministry will start looking into the contents of the list. If necessary, Japan will ask the US to add items.

Once Japan gives approval, USDA will inspect 37 slaughterhouses and packing plants in the US it certified for exporting beef to Japan to check if there is no problem in their slaughtering process.

9) Some operations of JP Morgan Trust Bank suspended for six months

MAINICHI (Page 9) (Excerpts)
April 6, 2006

Japanese regulators suspended some operations of JP Morgan Trust Bank for six months starting April 13 and ordered the company to improve its operations for allegedly failing to properly evaluate real estate used to obtain loans. The Financial Services Agency (FSA) made this announcement yesterday. The FSA also issued a business improvement order against the Tokyo branch of JP Morgan Chase Bank over loose compliance in the real-estate securitization business. The bank was told to prepare and implement a plan to strengthen its internal management framework, including more stringent screening of bank transactions.

10) Government to call for deregulation in financial, telecommunications sectors in FTA negotiations with 6 Persian Gulf nations

NIHON KEIZAI (Page 5) (Full)
April 6, 2006

Japan will start negotiations in July with the Gulf Cooperation Council (GCC), composed of six Persian Gulf nations, on concluding a free trade agreement (FTA). The government has decided to call on the GCC in the negotiations to lower tariffs and to ease foreign currency regulations in the financial and telecommunications sectors. Both sides will officially decide today to start negotiations and hold a preparatory meeting in May. The GCC is expected to urge Japan to lower tariffs on petrochemical products. Both aim to ink a deal in 2008.

The GCC is a tariff alliance composed of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates. Each nation has imposed a roughly 5% tariff on all imports. Japan aims to boost its exports of autos and construction machinery by having these countries lower the tariffs. The government also intends to call on the GCC to liberalize services, including financial, telecommunications, and auto maintenance businesses.

The preparatory meeting will be held in Riyadh, Saudi Arabia, in late May. Japan imports 75% of its crude oil from the GCC. The US and China are taking the lead in the global FTA race. Japan also aims to maintain a stable oil supply by deepening ties with the GCC through an FTA.

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11) LDP's fiscal reform study panel suggests realizing nominal economic growth of 4%, minimizing tax hikes, reducing expenditures over 5 years

NIHON KEIZAI (Page 1) (Excerpts)
April 6, 2006

A fiscal reform research panel of the Liberal Democratic Party (LDP), chaired by the party's policy chief Hidenao Nakagawa, has formulated an interim report on reform of state revenues and expenditures. The report proposes minimizing tax hikes by realizing nominal economic growth of 4% (real growth of 2-3%) and by strictly cutting expenditures. It suggests tax hikes be implemented in consideration of the economic situation. It also proposes an early formulation of a reform program, which would include measures to reduce social security expenditures, by fiscal 2011.

12) Land, Infrastructure, and Transport Ministry to abolish designated bidding system possibly in fiscal 2007 to prevent bid rigging; Preliminary bidding system eyed to exclude ineligible companies

NIHON KEIZAI (Top play) (Excerpt)
April 6, 2006

The Land, Infrastructure, and Transport Ministry has basically decided to abolish in fiscal 2007 the limited tender system to select designated bidding companies for public works projects. The ministry intends to completely replace this system with an open bidding system that does not specify bidding companies for projects ordered by the ministry. The goal is to eliminate bid rigging and reduce project costs by increasing competition. The ministry, however, plans to introduce a "preliminary bidding system" to weed out unfit firms.

13) Japanese-version of GPS to be scaled down substantially

ASAHI (Page 3) (Abridged slightly)
April 6, 2006

The public and private sectors have decided to substantially scale down the Quasi-Zenith Orbit Satellite program designed to have a set of three satellites cover the nation's skies around the clock to utilize their information in the Japanese-version of the Global Positioning System (GPS). Although the public and private sectors have been crafting the plan, which was originally envisaged by the private sector, there are no prospects for embarking on it on a commercial basis. As a result, the government has decided to launch only one satellite in fiscal 2009 to conduct testing. The public and private sectors reported their decision yesterday to the Space Activities Commission.

Envisaging a business to provide GPS functions, high quality image, sound, and data broadcasting services to automobiles, the private sector established in 2002 a company called New Satellite Business financed by Mitsubishi Electric Co. and other firms. They planned to pay 80 billion yen of the total project cost of 170 billion yen. But demand for such services has diminished due to the spread of high-performance mobile phones and terrestrial digital broadcasting.

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The Japanese satellite will be combined with US GPS satellites in the testing to determine the possibility of a highly accurate positioning system. The government will bear the total cost estimated at 32 billion yen. The public and private sectors will consider if they should launch the remaining two satellites after seeing the test results.

14) Shimabukuro determined to stick to Nago plan on Futenma relocation

TOKYO SHIMBUN (Page 2) (Full)
April 6, 2006

Nago Mayor Yoshikazu Shimabukuro returned to Okinawa from Tokyo last night after winding up talks with Defense Agency Director General Fukushiro Nukaga on the planned relocation of the US Marine Corps' Futenma Air Station. The mayor told reporters at

Naha Airport on his April 4 talks with the defense chief, "I told him that I will absolutely not budge an inch regarding Nago's plan (to move the runway further offshore)." Thus the mayor reiterated his plan not to make any concessions as long as the flight path goes over land.

The Defense Agency has proposed turning the direction of the runway 10 degrees counterclockwise to remove residential areas from the flight path. But concerned about noise and possible accidents, Nago has not changed its stance. Shimabukuro's comment revealed the wide gap between the central government and Nago.

15) North Korean chief negotiator in six-party talks to visit Japan

TOKYO SHIMBUN (Page 1) (Full)
April 6, 2006

North Korean Vice Foreign Minister Kim Kye Gwan, the country's chief envoy to the six-party nuclear talks, Han Song Ryol, the deputy permanent representative to the United Nations, and three other officials have submitted requests to visit Japan to attend an international academic conference on the East Asian security starting April 9 in Tokyo. Japanese government officials revealed yesterday that the requests are expected to be approved soon.

US Assistant Secretary of State Christopher Hill will attend the conference. The Japanese government intends to actively work to realize a meeting between Hill and Kim. Japan's lead negotiator on the six-party talks Kenichiro Sasae, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau, will hold separate talks with Hill and Kim.

The expectation is that the Japanese government will exchange views with the North Korean delegate on a resumption of intergovernmental negotiations with the goal of repairing bilateral relations, which have deteriorated since the last time the two governments held talks in February.

16) Japan, US, UK, Australia to discuss Iraq situation on April 10

SANKEI (Page 5) (Full)
April 6, 2006

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Japan, the United States, the United Kingdom, and Australia yesterday decided to hold working-level talks of foreign and defense officials to discuss the Iraq situation. They will exchange views on such topics as a review of the political process and the security situation, focusing on the delay in launching a full-fledged government in Iraq due to the conflict between Shiites and Sunnis.

In this regard, the Liberal Democratic Party yesterday held a project team meeting on the Iraq issue at party headquarters. In the meeting, a government official who took part in the meeting made this explanation about when to withdraw Self-Defense Forces troops from Iraq: "Based on the discussion with other countries, we'd like to determine a withdrawal process."

17) Japan, US to start joint research on new radar

NIHON KEIZAI (Page 2) (Full)
April 6, 2006

Japan and the United States will begin joint research on advanced radar and operational systems for missile defense, the Defense Agency announced yesterday. The joint research will start in the current fiscal year and continue over the next two years for deployment. Japan will invest 5.1 billion yen in the research project. The two countries will enhance their current radar systems in order to counter ballistic missiles with a range of

3,000 kilometers.

SCHIEFFER